

## How are markets made?

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Patrik Aspers

**How Are Markets Made?**

MPIfG Working Paper

anck Institute  
for the Study of Societies

Patrik Aspers  
**How Are Markets Made?**

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## **Abstract**

The purpose of this paper is to analyze the making of markets. The paper identifies two ideal-typical processes in which markets are made – organized making and spontaneous making – which are often combined in reality. Organized making is defined as a process in which at least two actors come together and decide on the order of the market. There are two ways of organized making of markets, called “state-governed market making” and “self-governed market making.” Spontaneous making is defined as a process in which the market is an unintended result of actors’ activities. The attention sociologists have paid to the issue of market making has been directed largely at organized market making. This paper develops a sociological approach that integrates both spontaneous and organized market making, and identifies three phases of market making. This involves a discussion of empirical cases, and seven hypotheses are presented that make predictions for the two types of market making. The paper provides theoretical tools for studying the making of markets in history, as well as in our own time. Finally, a number of conditions are presented that must be in place if there is to be a market.

## **Zusammenfassung**

Dieses Working Paper analysiert, wie Märkte geschaffen werden. Hierzu werden zwei idealtypische Prozesse identifiziert, die in der Realität oft miteinander gekoppelt sind: die organisierte und die spontane Schaffung von Märkten. Die organisierte Schaffung wird als ein Prozess definiert, in dem mindestens zwei Akteure zusammenkommen und über die Ordnung eines Marktes entscheiden. Hierbei wird zwischen der „staatlich regulierten“ und „selbstgesteuerten“ Schaffung von Märkten unterschieden. Die spontane Schaffung wird als ein Prozess definiert, in dem ein Markt als unbeabsichtigtes Ergebnis aus dem Handeln von Akteuren hervorgeht. Bis zum gegenwärtigen Zeitpunkt wurde vor allem die organisierte Schaffung von Märkten untersucht. Dieses Papier entwickelt einen soziologischen Ansatz, der sowohl die spontane als auch die organisierte Schaffung umfasst und drei Phasen des Schaffungsprozesses identifiziert. Dabei werden empirische Fälle diskutiert und sieben Hypothesen aufgestellt, die Prognosen zu den beiden Arten der Schaffung von Märkten liefern. Darüber hinaus werden theoretische Instrumente vorgestellt, mit denen sich die Schaffung von Märkten im Lauf der Geschichte und in der Gegenwart untersuchen lässt, sowie schließlich die Voraussetzungen, die erfüllt sein müssen, damit ein Markt zustande kommen kann.

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## Introduction

The purpose of this paper is to analyze the making of markets.<sup>1</sup> We can identify two radically different ideal-typical explanations of how markets are made and become ordered. One refers to the process in which economic “monads” interact with each other and order emerges unintentionally. This spontaneous making is defined as a process in which the market is an unintended result of actors’ activities. This idea of grown and non-decided order was called *kosmos* by Hayek (1988: 45, 1973: 38; Weber [1921–1922] 1978: 82–85).<sup>2</sup> The other ideal-typical way in which markets come about is that order in markets is made and maintained largely in an organized fashion, which Hayek (1973) calls *taxis*. This making process is the result of organization when at least two actors come together and decide on the order of the market (cf. Ahrne/Brunsson 2008). There are two ways of organized making of markets, called “state-governed market making” and “self-governed market making.” This paper develops a sociological approach that integrates spontaneous and organized market making. See also Möllering (2009) for a discussion on “market constitution” in solar power technology markets.

Recent sociological work on the making of markets has been pioneered by Harrison White (1981) and Neil Fligstein (2001a, 2005, 2008; Fligstein/Mara-Drita 1996; Smith 2007). White’s important work on producer markets (1981, 2002b), however, deals primarily with the reproduction of markets, and not with their making or emergence. Fligstein discusses organized making, but does not pay much attention to the spontaneous process.<sup>3</sup> This paper expands on Fligstein’s path-breaking work by making three distinct contributions to the existing literature. The first contribution is a discussion of the two ideal-typical ways in which markets can be made. The second contribution is to introduce the phase of market making that I call “orientation,” in which actors’ identities are constructed in the process of making a market. This idea, I claim, is central to our understanding of markets, but is not discussed either by economists or by Fligstein. The third contribution is that changes in a market can be understood largely by means of the same tools and concepts as are used for understanding the making of markets. The present text adds new knowledge to the growing sociological literature

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- 1 I use the notion of “making” because I see it as more neutral than “emergence,” which has evolutionary baggage (Sawyer 2001). “Making” refers to the obvious fact that markets are man-made, and not something that “emerge” out of a natural process bound by laws.
- 2 Hayek uses the term “catallaxy” to refer to market order, but it comes with a normative connotation (Hayek 1976: 108–109). “Catallaxy” is defined as “the special kind of spontaneous order produced by the market through people acting within the rules of property, tort and contract” (Hayek 1988: 109).
- 3 One reason why emergence is not well studied is that many markets never come into being because the “products” fail the market test, or what is offered can readily be replaced by what is offered in other markets (cf. White 2002b: 269).

on markets, and add to our knowledge of markets, which is summarized in a number of texts (e.g., Aspers 2006b; Aspers/Beckert 2008; Beckert 2002; Fligstein/Dauter 2007; Fourcade 2007; Lie 1997; Swedberg 1994, 2003, 2005).<sup>4</sup>

I begin by briefly examining the central problems that have to be solved in markets. I then outline the two ways of thinking about the making of markets, spontaneous making and organized making. The paper is essentially theoretical, but provides an empirical illustration of the hitherto neglected spontaneous process. Before the conclusion, the central components of a theoretical framework for market making are outlined, and seven hypotheses are presented that predict when each of the two ideal-typical ways of coordinating markets is more likely to occur, and when change is likely to take place.

### Conditions of markets

A market can be defined as a social structure for the exchange of rights which enables offers to be evaluated and priced (cf. Aspers 2006b: 427). I see structure as a result of human activities that has become stable because of actors' shared practices and cognitive frames. The notion of structure accounts for the fact that a market exists over time. The structure, more specifically, is constituted by two roles, that of buyer and seller, which face each other from either side of the market. Each role has its own goal, "to sell at a high price" or to "buy at a low price" (Geertz [1978] 1992: 226). In a market transaction, actors get something in return for what they let go. It is only because of actors' interest in trading that there can be a market (Swedberg 2003). What is traded in the market must not only be of interest to the actors, it must also be a morally legitimate object of market transaction (Zelizer 1981; Healy 2006). This is not identical with the distinction between legal and illegal markets; the market for student apartments in the former Soviet Union was by many seen as morally legitimate, though it was illegal (Katsenelinboigen 1977).

A market is characterized by voluntary and peaceful interaction (Weber [1904–1905] 1968: 17, 1922: 383). This is not to deny the struggle (Simmel 1923: 216–232) inherent in the processes of "higgling and bargaining" (Marshall [1920] 1961: 453) between actors from both sides (Swedberg 1998) of the market and rivalry between actors on the same side (Simmel [1922] 1955: 57). The property rights that actors exchange must be recognized; if not, we must either speak of robbery, if one actor simply takes everything,

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4 A large proportion of the literature on the making of markets deals not with individual markets, but with "market society," "marketness," or "marketization" (Hirschman 1986; cf. Fourcade/Healy 2007; Krippner 2001), a literature which I leave out in this text. I also bracket the population ecology literature as it does not focus on markets, but on the whole population that make up what is called the market; see Fligstein (2001a) for a more detailed discussion of this.

or a gift, if one part only gives without getting anything in return in the interaction. Actors in markets have a choice: They can decide to trade, sell or buy at the price they are offered, but they do not have to.

Markets are characterized by three additional but related elements. The first is the exchangeability of those who act as sellers and buyers. The market structure is defined in terms of the roles and their interests, and not of those playing the roles. The second element is that in a market, in contrast to trade, one side, either the buying side or the selling side, must be composed of at least two actors, so that the offers can be evaluated in relation to each other by the other side. Thus a minimum of three actors must be involved for a market to exist. Comparison, however, does not suffice as a condition to have a market; there must be competition on at least one side. The selection process for deals across the market implies comparison, evaluation, and competition.

### Prerequisites of order

For a market to be ordered, it must also fulfill three prerequisites which can be discerned empirically in different ways.

#### *What the market is about*

Dogs are not sold in the same market – as distinct from *market place* – as apples, nor are garments.<sup>5</sup> We may thus talk of differentiation of markets, so that offers that in one sense are similar are traded in the “same” market. Markets presuppose the process of singularization of the offers traded to make them calculable (Callon/Muniesa 2005). Each market, in other words, values one thing (Favereau/Biencourt/Eymard-Duvernay 2002), which means that we can talk of a “market category” (Kennedy 2005, 2008). The market category can be rooted either in the standards of its “taken for granted” goods, which are often supported by a technology (cf. Callon/Millo/Muniesa 2007) for evaluating the offers, as is the case in the Brent crude oil market, or in the status order of the market that “pumps out” the goods, like the consumer fashion market with its rapidly changing products (Aspers 2009).

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5 The bazaar is a kind of market (Geertz 1963) in which many kinds of commodities are traded; I here focus on modern markets, which normally acquire their names from what is traded. The physical space of the bazaar can be divided into several spatially dispersed submarkets, all specializing in one thing.



### *How things are done in the market*

The second prerequisite has to do with culture in the market, which determines its “rules of engagement” (White/Eccles 1987: 984). I define culture as beliefs, “tools,” and behaviors – for example, discourse and practice – appropriate to the setting. The culture of the market also covers the idea of “rules of exchange” (Fligstein/Mara-Drita 1996: 15; Smith 2007: 3; White 2002b: 2). A market may, to various degrees, have a narrative (Mützel 2007) and a unique “culture,” which actors who operate in it learn in processes of socialization. People, however, do not have to go through years of socialization in ordered markets to take part in market-making processes, as a general market culture is deeply entrenched in the lifeworld of most contemporary “market societies” (Slater/Tonkiss 2001). This is why markets can be ordered within a short time. The general market culture is made up of ideas concerning what a market is and how actors normally behave when in the market – for example, when acting as a buyer. It goes without saying that the culture of a market helps to bring it in order, as it prescribes what can be done, including the forms of cooperation and competition that are allowed and those that are not allowed.

### *The worth of the offer*

Given that actors know what is traded, the economic value of the good can, and must, be determined (Smith 1989). Economic value is usually expressed in prices, quoted in money. Prices imply that products can be compared with other commodities and services. Prices, expressed in one form of money or another (cf. “money of account,” Dodd 2005), are means for comparing completely different things, such as cars and summer houses, but of course also two cars in the same market. Prices represent the economic value of what is traded.

Markets, then, are ordered, which means that, for example, actions, offers, and prices to some degree are “predictable,” due to the stability over time of the social structure or what is traded and the culture of the market. In this way they enable actors to overcome uncertainty (White 2002b: 1; Guseva/Rona-Tas 2001). In fact, the question of order is central to both sociologists (e.g., Beckert 2009) and economists (Nelson/Winter 2002: 23). The difference is that sociologists have tended to focus on order as a result of value or of social structure, and refer to, for example, moral order (Durkheim [1893] 1984), whereas economists tend to focus on equilibria, which emerge in evolutionary processes (Nelson/Winter 2002).<sup>6</sup>

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6 Walrasian equilibrium assumes a homogenous product and a multitude of actors (as in a stock market), but in most real markets there are fewer actors who sell different products. These markets can, at the most, be conceptualized as Nash equilibria, that is, situations in which no player has an incentive to change his or her strategy in the market game (Aspers et al. 2008).

The analysis of markets is still essentially static, and though definition and constitution are important steps in the process of understanding markets, they can neither explain nor describe change or the making of markets. How can we know how markets were made given the market definition presented above? Before we turn to the theoretical explanation, it is natural to look at empirical studies of markets in history (Swedberg 1994: 255–257, 2003: 131–157).

### **Making of markets in history**

Does the literature that describes market making in history speak in favor of spontaneous or organized market making? Here I can paint only in broad strokes. Let us nonetheless first clarify the origin of the notion of “market.” Market as a phenomenon is older than the term. The term is of Latin origin (*mercatus*, trade), possibly with an Etruscan root, and related to more general aspects of the economy. This suggests that the term could be almost 3000 years old. The door-to-door selling (peddling; *Hausiervertrieb* in German) that the Romans, at least at the time of Julius Cesar, practiced was called *Markt* by the Germans (Grimm/Grimm 1971:12; 1644-1653). The word is thus traceable to roaming trade, which only later was connected to a place, and the similarity of the equivalent terms in various European languages – *mercado* in Spanish, *marché* in French and *marknad* in Norwegian, to take a few examples – supports the idea that the concept was diffused together with the practice. In trying to understand how markets were made, I draw on two bodies of research: works by historians based on historical documents, and works by anthropologists based on studies of societies with no or limited contact with modern Western cultures. The research can be summarized in two points.

First, commerce has taken place not only in the form of markets; in fact, a great variety of forms have been observed. The notion of market refers both to the price mechanism and the place of trade, but it is clear that the market mechanism, as described by economists, is not the starting point in the history of commerce (Braudel [1975] 1982). Reciprocity in communities, household economy, and redistribution in hierarchical organization are economic forms of transaction, which only later were supplemented with market exchange (Polanyi 1957a). Where do we find the origin of market trade?

The starting point may well have been gifts between tribes. Weber ([1923] 1981: 197) makes the point that trade grew out of gifts, though his example is from the period after 1400 BC in the ancient East. Gifts establish social relations, and result in trust, an idea supported by studies of Vikings (Skre 2007) and of “traditional” economies (Thurnwald 1969: 149; Bourdieu [1972] 1977; Malinowski 1922; Polanyi 1957a: 256–263). Gifts, moreover, reflect a common interest, in contrast to the conflicting interests of trade. These economic activities were not only embedded, a notion which presup-

poses that they already existed in the way we think of them today, but they were an inseparable part of a larger whole guided by religious conceptions. Hence, negotiations on marital alliances between people from different groups, holy rites, and much more took place when representatives of tribes came together. Trade was then an integrated component of interaction, not necessarily its goal. Out of gifts grew the idea of more systematic gift exchange, which later developed into barter. We can understand trade as a form of systematization of barter, which later still took place with the help of money (Thurnwald 1969: 141).

The first markets, at least in its rudimentary forms, may be traceable to the Neolithic period (8500 BC), and Polanyi (1957b) argues that there is clear evidence of what he calls marketless trading around 1800 BC. Price-making markets, in contrast, “were to all accounts non-existent before the first millennium of antiquity” (Polanyi 1957a: 257). The origin of markets appears not to be local markets (Polanyi [1944] 2001: 59–70), but long-distance trade. North (2003: 434) identifies a number of long-distance markets in the fifth century BC. It is, according to this argument, the “division of labor” determined by the location of groups rather than division of labor between individuals that is the origin of trade and markets (Polanyi [1944] 2001: 61; Weber [1923] 1981: 198). The fair was one early market form, held on certain dates and in particular places, which for this reason can be called a periodic market (Eighmy 1972; Park 1981; cf. Thurnwald 1969: 162). There was even a mobile labor market (Braudel [1975] 1982: 116–117; cf. Jeggel 2009). A permanent market place where actors could come together and exchange goods was preferable as trade grew and because there was a growing demand for predictable access to goods. Moreover, the dangerous routes in medieval Europe promoted organized transportation and permanent places of trade, and sovereigns could offer protection during travel and security in their fortifications. In return, merchants had to pay customs and protection fees. To hold a market was either something that a sovereign could decide or a right he could grant (cf. Skre 2007: 453). Holding a market was, in a way, constitutive of a sovereign as it also meant revenue from taxation (Weber 1998: 163). Weber says that, “the princes ... wished to acquire taxable dependents and therefore founded towns and markets” (Weber [1923] 1981: 132). In England, to take a European example, markets were allowed only if the Crown had granted the right to trade and to hold a market, as records from the mid eleventh century (Britnell 1978) show. Such rights reflect the Crown’s need for income from taxation (Britnell 1978: 189). It was, however, possible for the Crown in England to transfer the right to “hold a market” to private persons, which is a form of “franchise” (Masschaele 1992). By finding out how peddlers were brought together and later settled in cities we might learn more about the etymology of the word “market.”

Consequently, we can say that the organization of secure trading places and – most important – the need for tax revenue meant that markets were regulated directly by princes and other sovereigns. Moreover, markets competed with each other for merchants and for access to tax revenues. The organization of markets is likely to have increased with the appearance of market towns, and later when market halls were built (Braudel [1975]

1982: 33). Furthermore, when travelers came they needed food, shelter, and other kinds of support, which called for additional “market activities,” offered by those who resided in the market town permanently. There is often – though not always – a close connection between the emergence of cities and of markets (Weber [1921–22] 1978: 114).

Over time markets came to be controlled by councils residing in the cities, instead of by a single sovereign (Weber [1923] 1981: 214; Glamann 1977). The guilds had an interest in controlling and monopolizing not only production, but also trade, to reduce competition (Polanyi [1944] 2001: 67–68). Nonetheless, guild members and other actors who were permanently located in a town enabled trade that was not just simultaneous, such as barter. The extension of credit and commercial enterprises over time and place also increased the role of a trade law that was the same in all markets, regardless of their location. The general merchant law – *lex mercatoria* – gradually became more important as transactions also included non-simultaneous trade (Volckart/Mangels 1999). It is thus important to see the connection between commodity markets, the need for credit, and the legal structure. In this light we can see trade in markets as peaceful (Weber 1922).<sup>7</sup> However, anthropologists have shown that markets existed before we can talk of a state in any modern sense (Dalton/Bohannon [1962] 1971), which of course is also true of markets in Europe.

These examples do not show that markets originally were the product of organized efforts, but they suggest that the conditions of markets were put in place to facilitate trade, or more explicitly, to obtain tax revenues. Maitland agrees, concluding that “the market is established by law,” but continuing “[the market] is established by law which prohibits men from buying and selling elsewhere than in a duly constituted market” (Maitland 1907: 193). Polanyi speaks, in a similar fashion, of the “double function of the towns, in respect to the markets which they both enveloped and prevented from developing” (Polanyi [1944] 2001: 65). Trade, in other words, became controlled to avoid trade outside market places and to provide an income to those holding the rights of trade (Weber [1921–22] 1978: 1328–1331).

The second, somewhat contradictory, point that summarizes the literature dealing with the order of markets is that though we have reason to say that there has been both spontaneous and organized market making in history, there is still room for interpretation (Pearson 1957: 3). The records that we have (e.g., Volckart/Mangels 1999) will perhaps in future let us trace in detail the events and the actors involved in market processes.

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7 The old Nordic word “Kaupthing” (“köping” in Swedish) connects the old Nordic notion of “thing” (“ting” in Swedish) that refers to meeting to settle disputes in peace (cf. “tingsfrid”), and buying, of Germanic origin (“Kauf” in German). The formation of markets is thus intimately related to social gatherings of people in a peaceful manner as a result of the moral–legal agreement that is rooted in culture, but also with the possibility of sanctions. Maitland (1907) describes how the moot (with a Scandinavian etymology meaning “meeting”; “möte” in Swedish) refers to the legal right of free men to come together (cf. Polanyi [1944] 2001: 65; Thurnwald 1969: 168).

The historical records, however, almost by definition concern organized market making; markets that were not formally constructed, or black markets are unlikely to have been documented. It is clear, however, that both forms – though not necessarily as pure ideal-types – can be recognized in history, and that the origin of markets must be seen as something that is made gradually out of a more complex socio-religious web. What we can assume, based on the historical sources, is that the very first markets must have emerged in a “spontaneous” process, almost by definition. This is to say that people could hardly have had a perception of a market before it was made. It is more likely that these perceptions were formed in a stepwise process over time, as suggested above, which indicates that markets “evolved,” though not in an evolutionary and natural way (cf. Hayek 1973: 38). Sociologists must, however, dig much more deeply into the historical records and apply theoretical models, instead of relying merely on historical and anthropological interpretations, which have been made by researchers using various theoretical, not seldom neoclassical, lenses. But what, more concretely, are these ideal-types like? I turn first to spontaneous market making.

### **Spontaneous market making**

Spontaneous making of markets implies that neither the state nor any other form of organization participate in the making of markets. The formal idea of spontaneous making and order can be traced back to the Scottish Enlightenment and the writings of Adam Ferguson. Adam Smith, drawing on the ideas of Bernard Mandeville and others, made the concept of the invisible hand a central component of economic reasoning. Smith mentions “the propensity to truck, barter and exchange one thing for another” ([1776] 1981: 25) as a reason for trade, though he acknowledged that the propensity had grown out of interaction – talk and reason – between actors. But this propensity – and also the economic virtues – he says, is rooted in sympathy among human beings (Smith [1759] 1982).

Austrian-school and evolutionary economists later used the idea of the market as the result of a natural process. Hayek’s approach represents a form of evolutionary economics (Hogdson [1993] 1996: 170–186), which claims that markets grew out of barter, exchange, and trade (Plattner 1989: 180; Hayek 1988: 42–43). The market is the result of the “stabilization” of this process, which means that we can talk of market order. This model implies that the actors involved may even lack a conception of the market; it is an “unintended consequence.” Evolutionary economists see institutions (rules) as the conceptual cornerstone of their explanations of how markets develop (Hogdson [1993] 1996: 34, 175–179). They agree that the rules of the market emerge on the basis of humans’ impulse to survive (Hogdson [1993] 1996: 170–171). These traditions of thought may reflect interest-based social orders (Hirschman 1986: 41). The order, in other words, can be seen as the result of the economic actor who “intends only his own

gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was not part of his intention” (Smith [1776] 1981: 456). Neoclassical economists (Spence 1979; Bal/Goyla 1994) have discussed market making in a similar fashion, but more radically and less historically, and by using the originally Cartesian notion of economic actors who are like atoms or monads, each with a set of given preferences, whose activities in a natural process result in a market.

## The sociological turn

In order to understand market making we must include the spontaneous process, which hitherto has largely been neglected by sociologists. But the ideal-type of spontaneous making must be rectified by including an essential element that economists have overlooked. Many economists take the idea that “in the beginning there were markets” (Williamson 1975: 20) as their implicit or explicit starting point. Polanyi spells out why the economic starting point leads us astray: “The individualistic savage [who is the root of economic man] collecting food and hunting on his own or for his family has never existed” (Polanyi [1944] 2001: 55).<sup>8</sup> Economists also neglect the fact that actors, due to the resources to which they have access or “who they are,” can have more or less power to enforce their interests.

The economic approach could be contrasted and replaced by the more sociological and relational approach represented by, for example, Heidegger’s ([1927] 2001) ontological or Mead’s (1934) social psychological approaches. These approaches imply that there is no starting point at which, so to speak, thinking egos opened their windows and started to interact with others (Emirbayer 1997). “Actors” are constituted in relation to each other (Heidegger [1927] 2001: 140; Mead 1934: 221–226). Harrison White presents an approach to producer markets that draws on the idea of the sociological and relational constitution of actors, or more specifically, of their identities (White 1992, 2002b: 266–283, 2008). Though White’s theory incorporates a notion of market emergence, he, as mentioned, focuses on market reproduction. The driving force in White’s model of action is the idea that identities are triggered by the need for control. The outcome of the market-building process, White says, is an unintended consequence of this “internal” orientation among producers (White 1993: 168). The differentiation of the producers’ products corresponds to the differentiation of their identities (White/Eccles 1987: 985; cf. Zuckerman 2000). A sociological approach to spontaneous making must account for the mutual constitution and making of the market and market actors’ identities. Below

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8 Frank Knight (1921: 55–56), for example, is one economist who holds this historically incorrect view. He also argues that the atomistic and utilitarian anthropology of man represented in economics, has universal applicability. Knight claims that when we go back to “medieval times or to the American frontier, we find relatively little joint activity, except for the division of labor between the sexes and in the family” (1921: 55).

I develop this sociological idea of identities that emerge and are formed in the spontaneous market making process.

### Phases of spontaneous market making

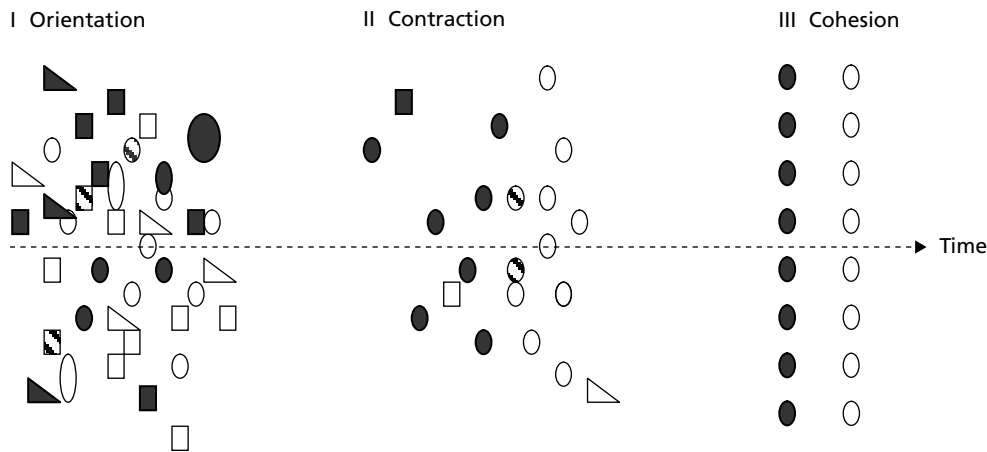
I propose an analytical division of spontaneous market formation into three phases: *orientation*, *contraction*, and *cohesion*. These time-phases are illustrated graphically in Figure 1. This outline is deliberately ideal-typical, and is not intended to capture the depth and variation of real market making processes. In this process actors have to cope with the problem of uncertainty, though without clear ideas about the process and its outcome. This process starts with actors whose relations and identities are unclear, and ends with a market with stable roles, values, and identities, and a specific market culture.

To better understand the spontaneous market making process it is helpful to look at an empirical case. Below I describe the making of a new market for photographers' agents in connection with an already existing market, the market for fashion photography in Sweden (Aspers 2006a). This is a new market because new identities, roles (social structure), and offers emerged with a culture that is specific to this market, though this process took place in the context of existing markets. But what did the situation look like before the new market came into being?

The market for fashion photographers in Sweden – that is, the market in which photographers sell their services to clients, such as advertising agencies and magazines – was, until the early 1990s, populated only by photographers and their clients. The two sides, sellers and buyers, exchanged photographic services and pictures for money, and thereby agreed on prices as well as aesthetic issues (for example, how the pictures should look). In other markets, such as those in the US and the UK (Entwistle 2002), not only fashion models, but also some fashion photographers have an agent who represents them in relation to clients. A central task of the agent (cf. “broker,” Burt 1992) is to promote the photographer and negotiate the price of his or her assignments with the clients. The agent does not discuss the aesthetics of the assignment, however; this is the task of the photographer in this “aesthetic market.” The agent charges a commission for the job. Photographers who are “members” of an agency in an aesthetically – which in this case also translates into an economically – uncertain environment thereby gain status (cf. Podolny 2005), a form of capital that increases their chances of getting a job. Some actors in Sweden who had worked abroad knew about agents, but few had first-hand knowledge and the majority did not know about them.

The first agency for photographers was established in Sweden in 1990 by two women; in historical terms, this can be called an entrepreneurial action (Schumpeter [1911]

Figure 1 Actors in phases of market formation



Solid-fill shapes represent sellers and no-fill shapes represent buyers. Striped shapes indicate actors who are still undecided whether they are buyers or sellers. The different forms of the figures represent actors' different trading interests (different goods). Interests in only three broadly defined goods are illustrated here.

2000: 51).<sup>9</sup> Their activities created turmoil in the existing market, as they were first seen as a change in the market between photographers and their clients. It took time before people in the industry could come to grips what an agent “is” and what it “does”; only the social structure of buyers and sellers was still ordered. This first move, which must be understood in relation to other existing markets, was made without the intention of creating a market, though there was certainly the intention of making a profit.

This phase, which we shall call *orientation*, assumes that actors have an “interest” in trading. Different actors begin to check out each others’ “offers.” What later comes to be valued – in this case the service that agents are offering – is typically up for grabs and not decided in the early phase of the market process (cf. Smith 2007), in which we can talk of “orientation among actors” without them envisioning a market as the end state of the interaction. Actors have different interests – in terms of what they want to trade and whether they are interested in buying or selling – but their motives or preferences are also affected in this process of interaction; these have to be socially constructed and cannot be assumed. The participants in the process orient themselves more to those who display trading interests that are relevant for them. This means that a buyer looks both at those who want to sell and those who want to buy “the same thing” to see what they do. Thus, photographers begin to realize that the agents are interested in “signing contracts” with photographers and in representing them in interaction with their traditional buyers. At this stage, people did not know about the other actors in their new

9 Others have also claimed to have started the first agency in Sweden, and this uncertainty about facts can be interpreted as typical of the orientation phase – actors may not agree on what was the first step or who were the first actors on the scene.



roles, nor what they wanted and knew. They could only imagine the old structure and culture of the market before it included agents. Information is neither free nor easy to obtain, as there is no central device that gathers, transmits, or sells information; it is not even clear what “market information” is. Actors’ identities are in the process of formation, and old identities are changed as relations are negotiated, and, as a consequence, misunderstandings may be frequent. The identities of agents are fundamentally unclear as they are a new social category in the fashion industry. The emergence of agents, and to some extent the market itself, must be seen in light of their existence in the more mature US and UK markets. But a market cannot just be copied; it has to take root in the new institutional setting, which may imply other conditions of market making.

Several agencies were founded in the following years. The next phase of market development shows tendencies towards what I call *contraction*, a notion which here refers to actors and things being drawn together. This means that actors come together and begin to recognize what others want to trade. The turmoil of the “market coming into being” was noticeable in the instability of actors’ identities; agencies were started, only to go out of business soon afterwards. However, it gradually became clear what agents could do, and what not, not least because some agents had to leave the industry. Thus, those who had “deviant” interests had to drift away or were excluded from interaction. In this process actors watch each other (cf. White 2002b). In this way an actor may come to realize that “this is not for me,” as his or her deviant offers or interests are not relevant in this particular pre-structure of a market. Photographers who lacked a good track-record in the traditional market soon realized the hard way – by being turned down – that agents were not interested in representing them. What agents were looking for – photographers with a strong aesthetic identity and the capacity to attract clients – was not obvious at the beginning. This became clear through gossip in the industry, though it could also be concluded from the names of the photographers who were represented by agents. More and more things became taken for granted in actors’ social interaction; and we may see this as a sign of the making of the culture of the market, which includes what to expect from an agent, what to talk about and when, and how to do so. Buyers of photographers’ services had to learn, if the photographer was represented by an agent, that they could no longer talk prices directly with the photographer – this task had been taken over by the agents. Some actors in this phase were still not sure whether they were going to take part as sellers or buyers, and some photographers may even have asked themselves whether they should rather become agents. In other markets, it can be firms who are undecided whether they will produce what becomes established in the market or buy the service, or even sell it in the market. Photographers, buyers, and agents will gradually be forced to decide whether they want to trade, and thus become part of what is under construction, or stay outside it. As time goes by, market roles – as “agents,” “buyers,” or “sellers” – as well as actors’ identities in correlation with these roles begin to take a more stable form, at the same time as it becomes clearer what “the market” is all about. The contours of identities and relations can be discerned, but the uncertainty concerning what the actors “are” is still too great to see this as an ordered market, though it is a preamble of a market. One may say that we can observe traces

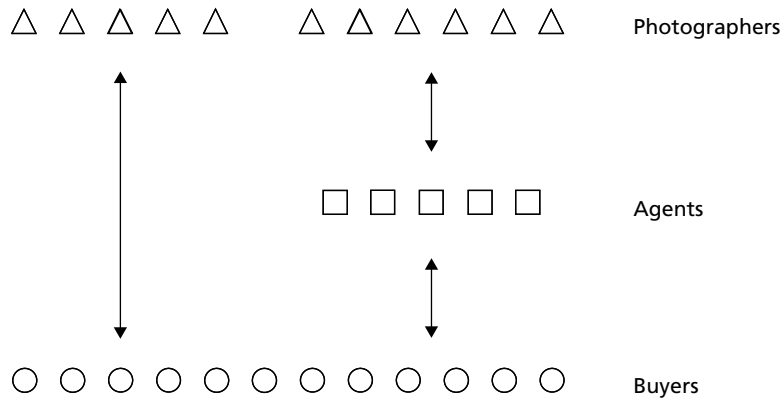
of “embeddness in emerging cognitive market networks,” when actors perceive that relations begin to be established in the market (Kennedy 2008: 273). It is, thus, only with interaction over time that things become clearer. Yet another theoretical possibility is that sometimes we “never” get past the contraction phase so that we only have a continuous “preface” of a market; this may be the case in markets in which neither the actors nor the items become stabilized, which we can observe in industries exhibiting rapid technological development.

The final phase is called *cohesion*, which refers to an ordered market. Only in this phase does it become clear what is sold in the market, which hitherto has been “under discussion”; the market is capable of evaluating what is exchanged in the market. Since around 2000 – that is, about ten years after their first entrance and after one economic crisis – people (and especially those who entered the industry more recently and have no memory of an industry without agencies) see them as more or less taken for granted; agencies are an institution. This cognitive-practical knowledge that market actors have reflects the fact that each market is characterized by “a shared frame of perception among its firms” (White 2002b: 2; cf. Fiss/Kennedy 2008). It is only on this assumption that we can talk of order or stability in the market. Only in this phase did it become obvious – also to the agents – that the agents had been successful in squeezing in a layer between the photographers and their clients. When a “market” reaches the phase of cohesion, it can be labeled, for example, “the market of agents.” This phase means that not only has the first prerequisite of a market been met, namely defining what the market is all about, i.e., the market category, but also the second one of determining “how things are done in the market.” When these two prerequisites are met, the market is ordered enough for prices to emerge that can be used in calculations, which is to say that the third prerequisite is also met.

An ordered market is co-constitutive of the stability of market actors’ identities. This means that we can also refer to collective identities of the market actors (such as agents and photographers). The collective identity of photographers’ agents is also the condition of the formation of identities that separates out the market actors according to how well they do in the market (“excellent,” “good,” “decent,” and “bad” agents). Figure 2 illustrates the different markets in which agents, buyers, and photographers participate.

The agents have not only created the market in which they represent the photographers, but they have also created a market “upstream” in the production chain (cf. White 2002b) between themselves and the clients who eventually pay for the photographers’ services; which is to say that they are embedded in two markets. Thus, not only do they sell the photographers’ services to clients, but they compete to handle the photographers’ services, which is to say that they have also created a market “downstream” the chain of markets. Photographers are sellers in relation to the agents, who consequently operate as buyers in the market for “photographers’ agent services.” But as not all photographers are represented by an agent, there are also direct links between photographers and

Figure 2 The market for photographers' services after the introduction of agents



On the left there is a direct link, represented by the long double-headed arrow, between the photographers and those buying their services. The right side shows how this market has been differentiated into two different layers, which means that two new markets have been created, each with its own cultural traits and actors. The buyers may operate in more than one market.

clients. Obviously, these two markets – the “new” one in which agents face buyers, and the “old” one in which photographers face buyers directly – are interrelated.

The advent of agencies has changed the industry, so that the aesthetic and the economic dimensions of fashion photography have become more separated. This makes it possible for photographers to be more “aesthetically focused,” which also makes the role of photographers more “artistic.” In fact, to be represented by an agent is seen as a sign of status among photographers.

I have discussed three phases based on the empirical case, but we may add a fourth phase, *crisis*, in which markets are disrupted and in which radical change takes place – it is characterized by no longer being ordered. The phase that follows a crisis, however, is not orientation – because this is a phase that lacks a concrete market history – but contraction.

This example reflects the aspects of order that I have already discussed, as resulting from a spontaneous process. There are, of course, other examples of spontaneous making and shaping of markets, as well as examples of market differentiation, such as when new market segments are the result of innovation, advertising, and many other social processes, such as the new car market for “minivans” (Rosa et al. 1999). Darr and Zer-Gutman (2007) have shown how a market was created between lawyers and brokers. The brokers offered the service of helping the lawyers with branding by offering information to journalists. Augustsson (2005) has followed the development of Internet media companies from their chaotic struggle to figure out who they were and how to categorize themselves, to the making of well defined markets. He shows how the pro-

cess from almost “amateurism” in the orientation phase, to the development of several different markets unfolded over several years. This process lacked a “mastermind” to determine this outcome.

I argue that the different phases that I have presented for the spontaneous market making process are also useful for understanding organized market making. There is one exception, however: the orientation phase belongs only to spontaneous making. This is to say that organized making begins with contraction.

## Organized making

Organized making of markets is probably the most common form of market making. It is characterized by actors interacting as “political” players, negotiating about the construction of the market. The idea of organized making has dominated the sociological literature on the making and change of markets (e.g., Fligstein 2001a; Fligstein/Mara-Drita 1996; Bourdieu 2005). This ideal-typical form of making implies that the three prerequisites I have discussed – what it is about, how to do things in the market (its culture), and how prices are determined – essentially have to be solved prior to the launch of the market. This also assumes that there are actors who have a reasonably clear idea of who they are and what they want, what the market is, and how it shall work.

Organized making, as we have said, is defined as the process in which actors come together, directly or indirectly, to create a market by decision. At the beginning of such a process, at least two actors have some ideas concerning the market, what will be traded and how it will operate, in addition to a reason “why” there shall be a market. Based on this they may attempt (Ahrne/Brunsson 2008: 49) to organize a market. This usually means that actors have a similar “conception of control,” though the power relations among them may be unclear. This process of organization may involve many actors, including the state and actors from adjacent markets.

I have already indicated that spontaneous making is, in one sense, analytically prior to organized making. In other words, organized making presupposes what it is supposed to explain, namely the market. It is in light of organized market making that we should consider the notion of performativity (Callon 1998; MacKenzie 2006; MacKenzie/Millo 2003; MacKenzie/Muniesa/Siu 2007). The literature has described market formation processes in which actors somehow come together and fashion an existing market, or set up a new market. The argument is that the construction of a market is mapped on an existing model, which is used as a blueprint in the process of changing or constructing real markets.<sup>10</sup> The literature includes several empirical studies of how markets have

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10 Experimental economists and game theorists are today involved in the construction of real

actually emerged, based more or less on the neoclassical model, and going into considerable detail (MacKenzie 2006; MacKenzie/Millo 2003).

There are two ideal-typical ways of coordinating markets, and they are separated by the involvement of the state or of state organizations. I shall call them “state-governed market making” and “self-governed market making.” In both cases we may talk of the organized making of markets, but in the latter case actors come together and create a market without direct state involvement. Moreover, in these two cases of coordinated market organization, actors who are directly affected and others who are indirectly affected may take part. Thus, markets can be set up by different kinds of actors, including stakeholders (cf. Kochan/Rubinstein 2000), located inside and outside the market(s) in question. Steering is done not only by political means, but through other systems of governance (Djelic/Quack 2007), as well as by economic capital. I will begin by briefly discussing markets in which the state plays a direct role, and in doing so I depart from Fligstein’s theory of market making, which is the foremost theory of organized market making. As organized making, and especially state-governed market making, is well known, I shall not discuss it in the same detail as spontaneous making.

### State-governed market making

States can, by means of regulations, patents (Troy/Werle 2008), and taxation, block some markets, and make and facilitate others, and they may ban markets for religious, ethical, or distributional reasons. There are several examples in the sociological literature of what states in liberal economies can do to regulate markets. Bourdieu’s (2005) study of the French housing market is one example, and the regulation of the US market for human eggs and sperm (Almeling 2007) is another. States can also police alternative avenues of trade that potential actors may want to use, to avoid taxation, customs duties or fees in the regulated market, which we saw in the case of the British Crown. State control of markets, such as the lottery market, may be imposed to increase tax revenues (Beckert/Lutter 2009), but state control or prohibitions may also result in markets. The donation and trading of human organs may also develop into grey or black markets (Healy 2006: 123–127). Today the modern state is always relevant, not least through its agencies that seek to prevent hindrance of competition and corruption, but this does not mean that all markets are regulated. What is the role of the state in market making processes?

It is control of the “power” of states that enables actors to pursue their ends (cf. Korpi 1985). Various stakeholders, such as property owners, unions, and others, may try to influence states to fashion markets in different ways, turning the state into an arena of struggle. The idea that the support of a state or of any other meta-organization – such

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markets (Guala 2007).

as an industry organization – makes it possible to construct markets has been stressed by the regulation theory (Boyer 1990) and political economy (Hall/Soskice 2001) approaches. The question of how markets are actually made, however, is not explicitly addressed in this literature.<sup>11</sup>

Fligstein has discussed the institutional and cultural requirements of markets. An idea that Fligstein shares with others is the intimate connection between the state and market building, though he acknowledges that markets can be studied without reference to governments (Fligstein 2001a: 12). Fligstein's "market as politics" approach stresses the interplay in market construction between the state and, predominantly, organizations in what he calls "fields" (Fligstein 2001a; Fligstein/Mara-Drita 1996; Hellman 2007; Fligstein 2008). According to Fligstein, new markets are characterized by a form of politics that resembles "social movements"; each firm that takes part is trying to impose its "conception of control," but they may also form coalitions (Fligstein 2001a: 76). In this phase, which we have called contraction, "market actors" try to build institutions, but most of them are copied from adjacent markets, from which competitors enter, too (Fligstein 2001a: 78). Eventually a market comes to be ordered (or stable, which is Fligstein's term).

### Self-governed market making

Self-governed making implies, as in the case of state-governed making of markets, that market actors are there ready to act, with preferences, prior to the existence of a market. Though states are active players in the formation process of many markets, I claim that a state is not a necessary condition for either the existence or the making of a market. There is, as we have shown, much evidence suggesting that markets have evolved and existed without the support of a state, and despite state efforts to control markets. Various forms of illegal market (Ruggiero/South 1997) exemplify this. Moreover, states may even play an active part in illegal markets, such as when liberal markets for military equipment become politicized and embargos are implemented (Karp 1994).

Self-governed organized making of markets also begins with the contraction phase. In this case, a state – or a state-like organization – plays no direct role in how the market is constructed. It is therefore possible to talk of "self-regulated" markets (Gupta/Lad 1983; Mollgaard 1997), which may be an answer to the threat of regulation by the state. Self-governed organized making has many things in common with self-regulation, which is defined as "a regulatory process whereby an industry-level, as opposed to a government- or firm-level, organization (such as a trade association or a professional society)

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11 The large literature that deals with transition from socialist to market economies (e.g., Nee/Opper 2006) focuses on the institutional underpinning in relation to states rather than the emergence of single markets.

sets and enforces rules and standards relating to the conduct of firms in the industry” (Gupta/Lad 1983: 417). This is the case in some markets, such as the Chicago derivatives market (MacKenzie/Millo 2003; MacKenzie 2006). In other cases the institutions of the market have been fashioned, as when the “big five accounting firms” withdrew from the professional association’s training program and set up their own structure of trade (Greenwood/Suddaby 2006; Garud/Hardy/Maguire 2007).

I propose, following Simmel ([1922] 1955: 147, 155–56), that collaboration among market members occurs, typically through business or industry organizations, which can be seen as modern examples of guilds. This can mean that actors who share some interests come together and create the “rules of the game” – that is, formal institutions of the market – and thus meet the second prerequisite (cf. Ahrne/Brunsson 2008). This may include furthering the collective interest of, in some cases, only producers in a market (in relation to other markets or in relation to the other side of the market). Actors on one side of the market may, for example, decide on the right of entrance and conditions of trade, which, however, does not hinder fierce competition among market actors on the basis of price, quality, marketing, market share, and service or product development. Thus, the second prerequisite is met simultaneously with the first, namely what is traded in the market.

There is a famous description of the construction of a market as a result of deliberate actions taken by actors without the direct help of or hindrance from a state, by Garcia-Parpet ([1986] 2007). This is the story of how French strawberry farmers came together to set up a local market with the help of their association. This example was used by Callon (1998) to make a number of claims concerning the performativity of markets. Actors in the industry, headed by the Agricultural Association, came together to develop the strawberry trade in the Sologne region. This mobilization of the Association, in Fligstein’s terms (2001a), was “political,” but the state played no role in the collective efforts of actors in the field (Garcia-Parpet [1986] 2007: 28–37). The person who was hired to develop the situation was trained in law and biology, but he also had a knowledge of economics. He proposed the establishment of a central market place to which growers could bring their strawberries and where they would be sold on the basis of a “Dutch auction” (Garcia-Parpet [1986] 2007: 31), in which the initial price is set high and the price is then reduced until someone says “yes” to the batch.

Garcia-Parpet’s study supports our discussion of the collective interest of market actors. By constructing the market in line with their interests and with strawberries as a taken-for-granted product, they succeeded, at least in the short run, in creating a market. Garcia-Parpet’s ethnography reveals the social and cultural consequences of market construction. She informs us, for example, how the construction of the organization that later launched the market helped to create a collective identity which was a “psychological investment” for the group (Garcia-Parpet [1986] 2007: 44). This also altered growers’ relations with the local bank. As one informant put it:

Do you know the *Crédit Agricole* [the bank]? It's an office block five stories high. The counter is on the ground floor. The office of the manager is on the fifth floor. Before the market started the growers only went to the ground floor. Now they don't feel embarrassed to go up five floors. (Garcia-Parpet [1986] 2007: 42)

This study shows how markets and market actors' identities are co-constructed in the process, though less so than in the spontaneous process, as they were only changed.

There are yet other markets that have been created "outside" the state. The US diamond industry is one such example, and it has been shown that traders in this industry have "rejected state-created law" (Bernstein 1992: 115). Though we lack knowledge of how the diamond market was made, it cannot be understood unless its strong embeddedness in the Jewish community and the monopolistic tendencies in the rough diamond exploration market are brought into the analysis. The market has its own base of members who are introduced to the trading culture, and who have to follow the rules and regulations of the trading association (Marshall 1920: 256–258). Charles Smith (2007), to take a final example, describes two emerging markets, "sponsored word/phrase Internet search engine markets" and "equity option markets," that throw light on the process of market making. He shows that these markets are more or less performed to mimic various theoretical models of auction markets. Smith explains that the objects of trade, especially in the case of the "word/phrase" market, had to be determined in the process.

### **Towards the integration of market making types**

To bring the knowledge on market making together, it is natural to relate the discussion to Fligstein's approach, and then to assess the extent to which the ideas we have presented so far can add to what we know as a result of his work. It should be said that since Fligstein's work does not claim to present a theory that covers all possible situations, my comments are remarks rather than a direct critique. Given what we have shown, I see four principal shortcomings in Fligstein's approach. Neglect of the spontaneous process – Fligstein refers only to the organized process – is the first problem (2001a: 77–86), though he has opened the door to a more relational approach in another work (Fligstein 2001b). The three stages of market development that Fligstein identifies – emergence, stability, and crisis – exclude the first formative phase that I call orientation, in which actors are still uncertain about their roles, and hence, their identities. Though orientation is not a necessary part of all market making processes, Fligstein acknowledges only the roles – that is, who will be "challengers and incumbents," which are "yet to be defined" (Fligstein 2001a: 76). We may say that Fligstein (2001a: 75–78) presupposes what is to be explained, namely the market.



The second problem with Fligstein's approach can be traced to his reading of White. Fligstein's (2001a: 22, 30–31, 94) market definition draws on White's (1981) producer market model, which is characterized by a small number of producers. Fligstein, for example, defines a world market as a "small number of firms that take one another into account in their behavior" (2001a: 222). White, however, is clear about one thing that not everyone has noticed; he has developed a market theory only of producer markets. Consequently, White's theory does not cover the kind of markets that Walras and Marshall – as fathers of the neoclassical market model – studied, for example, the stock market, which is a different market "species" (White 1992; Aspers 2006b; cf. White in Swedberg 1990: 83). The difference between the market species in which actors stick to the role as either seller or buyer, and the one in which actors switch between being a buyer and a seller, is not acknowledged by Fligstein, as his approach is mapped exclusively on the fixed role market.


The third problem, which is related to the second, is that Fligstein does not pay attention to the large number of markets in which products are not differentiated. Fligstein (2001a: 31) says that the sellers' status relations define what stability means in the market, which is a reflection of White's market model. However, in some markets, as is the case in the neoclassical model, the number of actors can be indefinite as what is offered is homogenous. This is the case, for example, in a stock market. These two problems are accommodated by the definition of markets that I have provided.

The fourth problem with Fligstein's approach is that he grounds market making and the stability of markets on the consent of a state. He says that a "stable market requires the construction of a conception of control to promote non-cutthroat ways to compete that all can live with and that state actors can accept" (Fligstein 2001a: 77). But from White's (1981; 2002b) model, and from the illegal markets that I mentioned above, it is clear that a state is not necessary for creating order in a market.

I have outlined two different ideal-typical ways in which markets are made, the spontaneous process and the organized process. A theory of market making must acknowledge both. The four different phases are illustrated in Figure 3 for both spontaneous and organized making.

A complete theory of market making, I suggest, should account for, and draw on ideas concerning, both spontaneous and organized market making. Below I build on the distinction between spontaneous and organized making and argue that the likelihood that making will be spontaneous or organized can be predicted and studied empirically.

Figure 3 Phases of spontaneous and organized market making in phases of market making

| Degree of order   | Phases of market making | Spontaneous making  | Organized making                   |
|---|-------------------------|---|------------------------------------|
| "Chaos"<br><br>"Order" | 1. Orientation          | Coming to grips with what is happening and who one is, in the setting | N/A                                |
|   | 2. Contraction          | Watching and interacting with each other                              | Deciding together about what to do |
|   | 3. Cohesion             | Ordered market  |                                    |
| [Chaos] Crisis/change   | 4. Crisis/change        | Back to phase 2, contraction  |                                    |

The empty box suggests that the spontaneous process is analytically and historically prior to organized market making.

### Conditions and consequences of market making

I shall outline seven hypotheses that suggest the kind of process that we are likely to observe under different sets of conditions. The empirical cases in this paper make up one source that is used to develop the hypotheses, but they also draw on the more general economic sociological literature. The idea here is to say something about the conditions of each of the two ideal-typical market making processes. The hypotheses I present are nonetheless conditioned upon the level of control states have over markets in countries (Hall/Soskice 2001; Fligstein 2001a). The more state control, the more a state will take part in the making and shaping of markets.

*H1: Spontaneous markets are likely to emerge under conditions of suppression.*

If a state, or any other influential organization, can exercise sufficient control over a society to prevent markets from being made – whether for political, legal, or ethical reasons – actors may nonetheless start to trade. The making of illegal housing markets during the Soviet era is just one example of how markets may emerge despite the resistance of the state (Katsenelinboigen 1977). Under these conditions, it is unlikely that there will be a way for actors to come together and decide how the market should

be organized. This supports the interpretation that markets may emerge more or less spontaneously, though the process is sometimes facilitated by the dysfunctional “markets” of an existing system.

*H2: The easier it is to calculate a situation, the more likely it is that making will be organized.*

This hypothesis is contingent on the order and stability of actors’ identities, and more fundamentally, on the order of the institutional framework on which the market calculations are based. Risk assessments are based on some order and are a precondition of calculation (Knight 1921). Only if profit can be calculated is it possible to furnish rational arguments that will be readily accepted and so encourage actors to join a market-building alliance. Obviously, alliances can be formed even if a profit calculation is lacking, for example in order to make the conditions stable enough.

*H3: The more recognizable a new offer of trade is, the more likely it is that the process is organized.*

This hypothesis can also be formulated in the following manner. The more novel the offer of trade is, the more likely it is that the process will be spontaneous, and the result of someone simply starting to produce and sell a “product.” It is difficult to imagine the use of the “product,” which is not yet – or about to be – defined. Many products have their origin in non-economic interaction among amateurs, and this can serve as a pedigree for spontaneous market making. It is by definition impossible to calculate or even estimate a “demand” for the good if it cannot be compared to other things. If existing structures or market standards can be used as a benchmark and source of interpretation of a new “offer,” it is easier to organize the market accordingly. Thus, the more adjacent to existing market goods a new idea is, the easier it is to mobilize actors, as they already “know what it is all about.”

*H4: The more markets become part of the lifeworld, the easier it gets to organize them.*

Another way of formulating this hypothesis is as follows. The further away – culturally and historically – from the economic sphere the interaction takes place, the less likely it is that actors originally frame (Goffman 1974) it as a market. This hypothesis should not be controversial. It means, if we adapt Heidegger ([1927] 2001: 148–153) and Gadamer ([1959] 1988) at a concrete empirical level, that actors know what a market is. It is thereby also more likely that actors are knowledgeable about different kinds of markets, for example different kinds of auctions (Smith 1989) that can be set up. More knowledge also decreases the transaction costs of organizing markets, provided that actors are in favor of the market solution. The more the idea of the market has become

“taken for granted” and known, the easier it becomes to organize markets. This is, so to speak, the phenomenological condition of the thesis of performativity, as presented by Callon (1998).

The next two hypotheses concern change. Though the idea of making and change are interconnected, they are distinct. The fact that most markets are stable over time (Burt 1988) does not exclude change. Change, of course, always takes place, in one way or another (Djelic/Quack 2007: 163–168). Change in markets is usually considered to be *radical* change. A change in a market, in this sense, takes place as a result of external pressure – for example, regulations – but it can also be due to a market innovation by an entrepreneur (Schumpeter [1911] 2000).

*H5: Change from inside the market is difficult when market cohesion is the result of a spontaneous process.*

This hypothesis suggests that spontaneously coordinated market order, which by definition has been attained without meta-organizations, makes it very difficult for participants to make any changes in the market. The exception is when one actor is strong enough individually to affect the market. This hypothesis can also be formulated as follows. A market that has become ordered in a process of organized making, and that is held together by, for example, meta-organizations with collective resources (Ahrne/Brunsson 2008) that can be used for imposing change and sanctions, is easier to control and change from inside. Thus meta-organizations makes it easier for firms that “seek shelter from uncertainty together under a market umbrella” (White 2002a: 143).

*H6: Change from outside the market is easy to impose when market cohesion is the result of a spontaneous process.*

This hypothesis suggests that the lack of collective resources to ward off attempts to, for example, regulate, control, or even abolish the market, make it easier for actors outside the market to impose change on it. In a corresponding fashion, markets with organizational resources can mobilize them to work actively against organization and the imposition of regulation from outside – for example, by the state or other markets. To set up lobbying groups (Woll 2008) to promote market actors’ interests or to “self-regulate” the market are strategies that market actors can use. What about the transition between spontaneous order and organized order?

*H7: Spontaneously coordinated markets are likely to become organized over time.*

This hypothesis suggests that actors’ mutual recognition as “peers” with shared interests in a market, and pressure from the environment, are likely to promote collaboration

and organization, in the form of standards, associations, and the like. This organization may be the only way to maintain market autonomy. Theoretically, we might also consider a situation in which actors in an organized market decide to abolish existing rules, associations, and the like, which are the result of organized making. This, however, does not lead directly to a spontaneously coordinated market because it is a decision-based order. Eventually, such a market can go into the crisis/change phase, and then into the phase of spontaneous contraction (see Figure 3), but not into the orientation phase, as already discussed.

## Conclusion

The fact that relatively little research has been done on the making of markets makes it harder to theorize on the matter, but also more urgent. I have claimed that the problem of explaining market making is interconnected with the problem of defining what a market is. A market is defined as a social structure for the exchange of rights, which enables people, firms, and products to be evaluated and priced. This form of social structure entails competition and generates stability to make predictions over time, which is why we can speak of markets only when they are ordered. It has been shown that market institutions are rooted in the lifeworld. Three prerequisite must meet before a market is ordered: what is sold, how to operate in the market, and how prices are set. These have to be met in both spontaneous and organized market making processes. Explaining market making by including spontaneous market making is the overarching contribution of this paper. This inclusion makes sense only in relation to organized market making, which hitherto has dominated the sociological discussion. Though today many markets are organized, sociologists must bring in the elements of spontaneous process that economists refer to in order to understand what goes on when markets are made. This means acknowledging that actors' identities are co-constructed in the market-making process. At the same time, it is obvious that any scholar interested in markets must also take the organized making of markets into account.

What does this paper offer, and what future research does it call for? The paper provides theoretical tools for studying the making of markets in history, as well as in our time. It also presents a number of conditions that must be in place to have a market, and chaos and the fading of markets ensue when they are not met. The findings related to market making and change reported in this paper may also be used for conceptualizing processes of path dependency, and for studying the emergence of informal – and the making of formal – institutions (Walgenbach/Meyer 2008; Fligstein 2001b). There are other fields of research that can be discussed in more detail to further increase our knowledge of how markets are made. The literature on product innovation (e.g., Utterback/Abernathy 1975) gives one side of the story of how markets are made, though these studies often focus on the agents involved and the product rather than on the market. Another

issue that is of at least theoretical importance for sociologists studying markets is the demise of markets. How can we account for cases in which firms abandon markets (Aldridge 2005: 98–100), and the process of market fading?

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